

At its beginning, the public housing program was the only direct federal housing assistance program, and the federal role was limited to paying the capital costs of construction. Since then, the program's goals have shifted toward improving the housing conditions of low-income households, with a resulting increase in program costs. Concurrently, other programs to aid low-income households have been developed that rely heavily on privately owned housing.

The Federal Role in the Public Housing Program

The earliest federal support for publicly owned housing--other than for wartime and other special efforts--came during the 1930s, as the federal government initiated various programs to stimulate employment. Public housing was first funded through the Works Progress Administration; the subsequent Housing Act of 1937 established the U.S. Housing Authority and the process--still used today--whereby local public housing authorities (PHAs) develop and own housing projects financed through federal subsidies. Initially, public housing tenants were generally households experiencing temporary economic hardship, and public housing was explicitly not intended to assist very poor households that were unable to pay the necessary rent levels. The federal government paid only the capital costs of housing projects developed and operated by PHAs. ^{2/} Tenant rents were expected to cover all operating and maintenance costs and, in actuality, often covered a share of the capital costs as well.

The Housing Act of 1949 shifted the emphasis in public housing, focusing on the need for clearing slums and for assisting those households, particularly with low incomes, that were poorly housed. Eligibility for public housing was limited to lower-income households, and construction cost limits were adjusted to encourage the development of public housing for large families. These program changes, in conjunction with the widening private housing opportunities available to moderate-income households, meant that public housing served increasingly poorer households. In 1950, the median income of public housing tenants was over 60 percent of the U.S. median; by 1975, it was only 30 percent of the U.S. median. ^{3/}

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2. Public housing is financed through long-term bonds that are issued by local public housing authorities and sold in the private market. The federal government pledges to pay the full principal and interest payments on the bonds.
 3. Alternative Operating Subsidy Systems for the Public Housing Program, p. 49.

As public housing tenants became relatively poorer, PHAs found it increasingly difficult to collect rents adequate to cover rising operating costs. In response, the Congress in 1961 authorized supplemental operating subsidies to PHAs on behalf of certain tenants who were thought unable to pay rent levels adequate to meet operating costs. Payments were originally made on behalf of elderly households; in 1964 they were extended to households displaced by urban renewal activities; and beginning in 1968 they were provided for the lowest-income households and very large families.

These special payments were not sufficient to hold down rent levels, however, so the Congress passed a series of amendments between 1969 and 1971, limiting allowable rent levels for public housing to 25 percent of household income and authorizing additional subsidy payments to offset the resulting decreases in rental income. The effect of these amendments--referred to as the Brooke Amendments, after their sponsor, Senator Edward Brooke--was to boost operating subsidies from less than \$5 million in 1968 to \$103 million in 1971. Since that time, operating subsidies have continued to increase as the aging of the public housing stock and rising operating expenses have pushed operating costs up faster than rent collections. In 1971, operating subsidies of \$103 million represented about 8 percent of PHA expenditures; by 1982, operating subsidies had grown to \$1.3 billion, or nearly half of PHA budgets. In 1981, the Congress legislated an increase in the rent charged public housing tenants--as well as households aided under other programs--from 25 to 30 percent of income, to be implemented over a five-year period. ^{4/} This will slow, but not eliminate, the increase in future operating subsidy needs.

While the capital costs of construction and operating subsidies represent the bulk of direct federal aid for public housing, the federal government also finances the modernization of public housing units. ^{5/} Originally PHAs were expected to fund improvements from their operating funds. By 1968, it was clear that PHAs could not afford to offset the deterioration in the public housing stock out of their rent collections, so the Congress began additional payments for capital improvements. ^{6/} The value of capital

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4. This was done through the Omnibus Budget Reconciliation Act of 1981, Public Law 97-35.
 5. Some communities use other federal assistance, such as Community Development Block Grant funding, to aid public housing.
 6. These are financed in the same way that initial construction is financed. The only difference is that the bond term is up to 40 years for initial construction and is 20 years for modernization.

improvements financed by the federal government averaged about \$300 million annually from 1969 through 1980--or \$3.5 billion in total. Since then, the amount of capital improvements has increased substantially--to an average of \$1 billion a year between 1981 and 1983--in an effort to bring deteriorated public housing units up to basic standards of adequacy.

The Role of Public Housing in Federal Housing Assistance

While the federal role in assisting public housing has grown over time, the public housing program has declined as a proportion of total federal housing assistance. ^{7/} From 1937 until 1961, the public housing program was the sole mechanism for federal housing assistance, and during that period over 460,000 units were made available (see Figure 1).

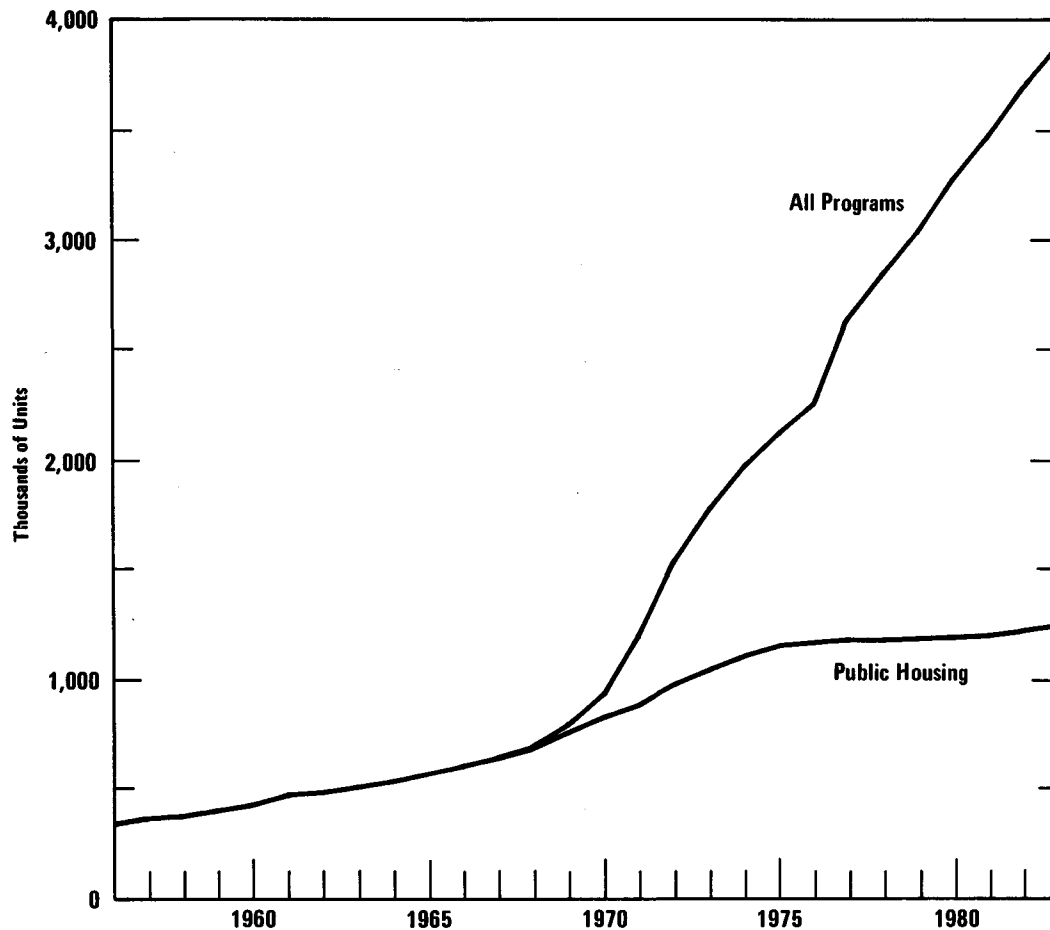
Beginning in the 1960s, other forms of federal assistance relying on the private market were developed to accompany public housing. Part of the search for alternatives was motivated by concern that housing could be more appropriately provided by the private sector, that large concentrations of poor households in public projects led to social problems, and that increases in the stock of decent quality housing could be achieved more efficiently by other means. New approaches included rent supplements to cover the difference between a share of household income designated for rent and actual rents in privately owned projects, and reduced-interest mortgages for multifamily projects that resulted in lower rents charged to low-income households. By 1972, total public housing units available numbered 990,000, while all assistance provided through other federal programs totaled 535,000 units.

In 1973, the Nixon Administration imposed a moratorium on new federal housing commitments in response to growing concern about the costs and effectiveness of the programs. In 1974, following a major review of federal housing policy, the Congress instituted a new mechanism for housing assistance, the Section 8 program, which provides supplementary rental payments to private landlords on behalf of low-income households living in existing housing, newly constructed units, or substantially renovated housing. The Section 8 program has grown rapidly into the dominant federal

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7. This discussion includes only direct federal housing assistance and does not include federal housing insurance, secondary market activities, or assistance provided through programs such as the Community Development Block Grant program. In addition, it excludes all federal aid provided through the tax system, such as the deductibility of payments for mortgage interest and property taxes.

Figure 1.

Number of Commitments Through Federal Housing Assistance Programs, 1956-1983



SOURCE: Department of Housing and Urban Development.

housing assistance program. In 1982, the public housing program aided 1.2 million households, while other federal programs assisted 2.5 million, of whom 1.6 million were recipients of Section 8 assistance.

While the supply of public housing has expanded little in recent years, public housing still provides a major share of available housing assistance--one-third of all federally assisted units in 1982. Thus, the stock of public housing remains an important, although aging, source of federal aid for low-income households.

CHAPTER II. CHARACTERISTICS OF THE PUBLIC HOUSING PROGRAM

Public housing is an important source of decent housing for particular types of households and in certain areas, and, in addition, often provides a range of supportive services for its tenants. About 1 percent of all low-income renter households and 10 percent of very-low-income renter households live in public housing, and public housing represents up to 15 percent of the rental stock in some cities. ^{1/} On the one hand, public housing is generally in sound condition, and many public housing authorities (PHAs), especially in urban areas, have more demand than units available. On the other hand, it is now over 20 years old, on average, and is showing signs of wear, both from the intensive use it receives and from insufficient maintenance in recent years. Further, some 7 percent of the units are in very poor condition and in need of substantial repair. This chapter describes the tenants served by public housing and the nature of the public housing stock.

WHO IS SERVED BY PUBLIC HOUSING?

The residents of public housing projects are primarily very poor households. Eligibility for public housing projects is generally limited to households with incomes below 50 percent of the area median, and the average public housing household has an income of about 30 percent of the area median. ^{2/ 3/} Public housing assists very-low-income households, in

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1. Low income is defined as income below 80 percent of the area median, which is the definition of eligibility for most types of federal housing assistance established by Public Law 97-35. Very low income is income below 50 percent of the area median. These estimates are based on the 1979 Annual Housing Survey.
 2. Most of the characteristics of public housing households described in this section are from Suzanne B. Loux and Robert Sadacca, Comparison of Public Housing Tenant Characteristics: 1976 to 1979, Working Paper 1279-01 (Urban Institute, 1980). Characteristics of renter households in general are based on CBO calculations from the 1979 Annual Housing Survey.
 3. Some units may be occupied by households with incomes between 50 and 80 percent of the area median. No more than 10 percent of the

part, because of policy choices made both by the Congress and by PHAs, and, in part, because at higher income levels households may have private-sector alternatives that are more attractive than public housing.

About 55 percent of public housing units are occupied by households headed by a person younger than 62 years--the definition of family households used in the program--and the remaining 45 percent are headed by an older person. Of the units occupied by elderly households, about two-thirds are located in projects occupied predominantly by elderly households, 4/ and the remainder are scattered across projects that also serve family households. Public housing serves a higher proportion of elderly households than the private rental market. On the other hand, the proportion of single-person households is roughly the same as in the private market.

Family Households

Because families in public housing are very poor, they resemble households in poverty more closely than they resemble renter families in general. Thus, while public housing has about the same average number of persons per household as privately owned rental units, family households in public housing have more children and fewer adults than unassisted renter households. 5/ Further, public housing households have more children, on average, than households participating in other federal housing assistance programs. In 1979, families in public housing had two children per household, on average, while private renter households in general had only one child per household. One-fifth of all public housing families have more than three children, while only 8 percent of the families participating in the Section 8 program are that large.

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3. (Continued)
units provided before 1982, and no more than 5 percent of the units provided after that time, may be occupied by such households, however (Public Law 97-35).
 4. Projects occupied predominantly by the elderly are those with at least 90 percent of the units reserved for households headed by a person at least 62 years old.
 5. The private renter households discussed in this section exclude single-person households--who are not generally eligible for public housing unless they are elderly or disabled--and households with heads 62 years or older.

Public housing families also have fewer adults present to raise children; as of 1979, only 20 percent had both husband and wife present, and 75 percent were headed by females. In contrast, 60 percent of unassisted private renter households had both a husband and a wife present, and just 28 percent were female-headed.

Gross family income for public housing tenants averaged \$5,700 in 1979--somewhat over the \$5,000 poverty threshold for a female-headed household with two children but well below the \$8,900 median for all renter households. About half of total income for public housing families was earned through wages and salaries, while the remainder came from various income support programs. Three families in five received welfare income, most typically from Aid to Families with Dependent Children, which constituted over one-quarter of gross family income on average. Other sources of family income included Social Security, Supplemental Security Income, and unemployment benefits.

Three-quarters of family households in public housing were minorities, about 60 percent black and 15 percent Hispanic, compared to about 20 percent of unassisted renter households. The average age of the family's head in public housing was 39 years, compared to 33 years for the average unassisted family. The average family in public housing had occupied its unit for nearly five and one-half years, while the average unassisted family had been in its unit just two years.

Elderly Households

In 1979, elderly households in public housing predominantly consisted of a woman living alone: 73 percent were single women, 12 percent were single men, and 15 percent comprised a head of household and spouse. In contrast, in the private rental market, about 60 percent of elderly households were single persons, and slightly less than half of the total were single women. The gross income of elderly tenants averaged \$3,900 in 1979, over 60 percent of which came from Social Security. The second largest source of income for elderly public housing tenants was Supplemental Security Income, which represented 13 percent of the total, followed by pensions and annuities, which contributed another 10 percent, and wages and salaries, which added 9 percent.

About 40 percent of elderly households in public housing were members of minority groups, primarily black with some Hispanic households, compared to about 14 percent of private renters with an elderly head. The average age of the household head in elderly-occupied units was 74 years, compared to 72 years for unassisted elderly renters. Elderly residents in

public housing had occupied their units for an average of seven years, compared to eight years on average for unassisted elderly households.

WHAT ARE THE CHARACTERISTICS OF PUBLIC HOUSING?

Public housing is developed and owned by some 2,800 local public housing authorities (PHAs). The choices about whether and what type of public housing to build are made locally, although the federal government affects the decisions of PHAs through its funding policies and development guidelines. As a result, public housing units vary greatly in their location, their physical characteristics, the types of services provided, and their overall condition.

The Location of Public Housing

Public housing is predominantly located in metropolitan areas, where it represents a higher proportion of rental housing than elsewhere. By HUD definitions, the 22 PHAs classified as "very large"--those that own more than 6,500 units each--together account for over one-third of all public housing units (see Table 1). The New York City Housing Authority alone accounts for over 140,000 units, or about 13 percent of the total. The 112 large PHAs--that is, authorities owning between 1,250 and 6,500 units each--account for an additional quarter of the public housing stock. By contrast, the roughly 1,000 PHAs that each have fewer than 100 units together manage less than 5 percent of the total public housing stock.

By region, public housing units are most heavily concentrated in the Northeast, where 41 percent of the stock is located and where public housing represents 4 percent of all rental housing (see Figure 2). Public housing in the Northeast is almost exclusively in metropolitan areas, and about one-quarter of the public housing units in the region are in projects occupied predominantly by the elderly.^{6/} About 30 percent of public housing units are located in the Central region where they also constitute 4 percent of the rental stock. About 80 percent of public housing units in the Central region are located in metropolitan areas, and 37 percent of the region's units are in projects occupied primarily by the elderly--the highest share in the nation. About one-fifth of the public housing stock is in the South, where it comprises 6 percent of the rental market. Public housing in the South is located more frequently in rural areas and is less frequently

6. Characteristics of the Nation's Public Housing, unpublished data from the Department of Housing and Urban Development.

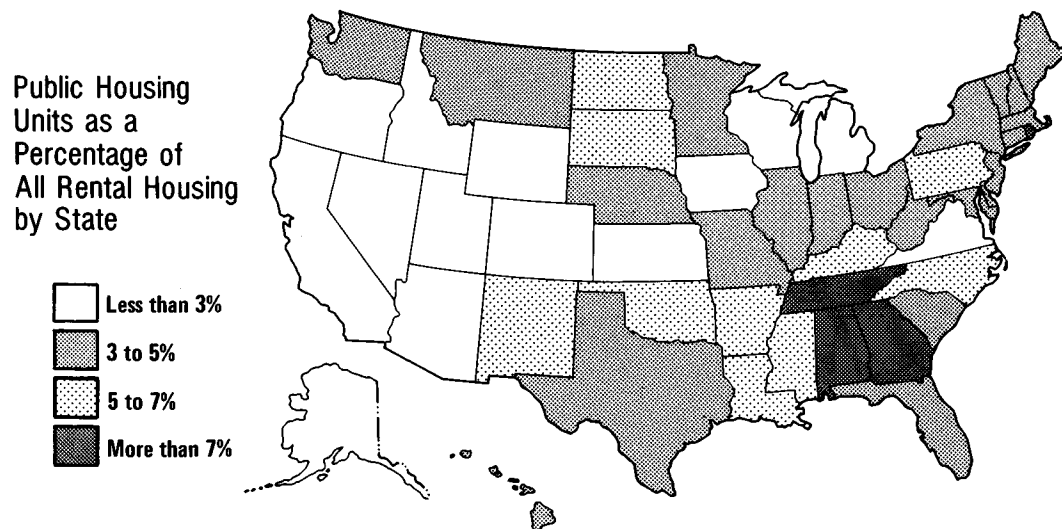
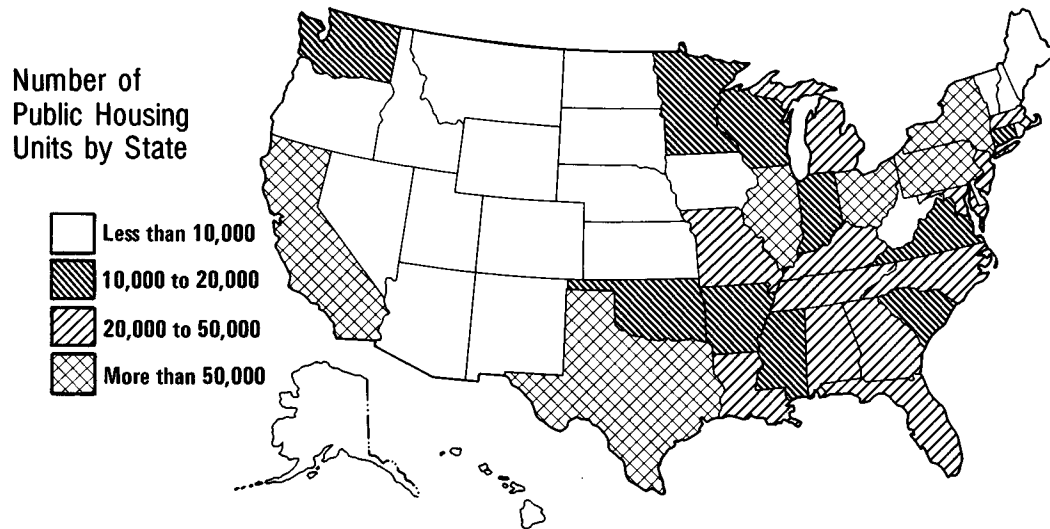
TABLE 1. DISTRIBUTION OF PUBLIC HOUSING UNITS BY SIZE OF PUBLIC HOUSING AUTHORITY AND REGION, 1980

Region ^a /	Total		Size of Public Housing Authority ^b /							
	Number of PHAs	Number of Units	Very Large		Large		Medium		Small	
			Number of PHAs	Number of Units	Number of PHAs	Number of Units	Number of PHAs	Number of Units	Number of PHAs	Number of Units
Northeast	402	420,000	7	226,300	43	93,000	56	43,600	296	57,100
South	618	219,600	4	37,700	27	70,200	51	37,600	536	74,100
Central	954	311,000	9	108,900	30	76,400	54	39,600	861	86,100
West	223	84,800	2	15,300	12	33,000	17	12,700	192	23,800
Total	2,197	1,035,400	22	388,200	112	272,500	178	133,600	1,885	241,100

SOURCE: Department of Housing and Urban Development, Alternative Operating Subsidy Systems for the Public Housing Program (1982), p. 33, and unpublished data from the Office of Public Housing within the Department. Includes only public housing authorities that receive federal operating subsidies. About 600 public housing authorities, most of which are very small, do not receive subsidies, and account for an additional 60,000 units.

- a. See Appendix A for a list of the states included in each HUD region.
- b. Very large PHAs are those with 6,500 or more units. Large PHAs are those with 1,250 to 6,499 units. Medium PHAs are those with 500 to 1,249 units. Small PHAs are those with fewer than 500 units. Note that this definition of very large PHAs differs slightly from that used on other tables.

Figure 2.
Geographic Distribution of Public Housing



SOURCE: Perkins and Will and The Ehrenkrantz Group, *An Evaluation of the Physical Condition of Public Housing Stock: Final Report*, prepared for the Department of Housing and Urban Development, March 1980.

reserved for elderly households units than in other regions; one-third of all units are located outside metropolitan areas and just 15 percent of the units are in projects primarily for the elderly. Only 8 percent of public housing is located in the West, where it represents 2 percent of the rental market. About 85 percent of public housing in the West is in metropolitan areas, and 30 percent of available units are in projects for the elderly.

Public housing represents an even larger share of the supply of rental units in some states and cities that have more aggressively sought and secured federal construction funding. For instance, in Alabama, 10 percent of all rental units are publicly owned, as are over 7 percent of the units in the District of Columbia, Georgia, Rhode Island, and Tennessee. Further, public housing represents 15 percent of the rental stock in Atlanta, 10 percent in Baltimore and 9 percent in Philadelphia and Cleveland. In contrast it represents 1 percent or less in such states as Idaho, Iowa, and Utah and in such cities as Los Angeles and Houston. 7/

The Physical Characteristics of Public Housing Units

The physical characteristics of public housing vary in a number of ways from those of the rental housing stock in general. The average public housing project was 17 years old in 1980, compared to an average of about 29 years for rental housing overall. Roughly one-fifth of public housing units were located in high-rise buildings--that is, buildings with seven or more stories--compared to less than 5 percent of all rental housing units. Finally, about 30 percent of all public housing units had more than two bedrooms, while less than 20 percent of rental housing units in general were that large.

These characteristics affect the relative costs of operating public and private housing in different ways. On the one hand, older projects generally have higher ongoing costs than newer ones, as major capital items and other

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7. State estimates based on CBO calculations from Department of Commerce, Bureau of the Census, Provisional Estimates of Social, Economic, and Housing Characteristics, State and Selected Standard Metropolitan Statistical Areas, PHC 80-S1-1, (1980) Table H-1. Perkins and Will and The Ehrenkrantz Group, An Evaluation of the Physical Condition of Public Housing Stock: Final Report, vol. I, prepared for the Department of Housing and Urban Development (1980). City estimates from Department of Housing and Urban Development, Alternative Operating Subsidy Systems for the Public Housing Program (1982), p. 102.

fixtures approach the end of their useful life. On the other hand, high-rise projects have higher costs than low-rise, principally because of the expense of maintaining elevators in high-rise buildings. Finally, big units cost more to manage than smaller ones, largely because of increases in the number of children per household that accompany additional bedrooms per unit. It is difficult to say how, on net, these characteristics affect the relative operating costs of public and private units.

Public housing projects that house primarily families are generally older and larger than those with large proportions of elderly tenants.^{8/} Almost half of projects for families were built before 1961, while just 2 percent of units in projects for the elderly are that old. Projects containing 150 or more units represent nearly 85 percent of family-occupied units, while less than 40 percent of units in projects for the elderly are in projects that large.

These characteristics affect the operating costs of public housing in differing ways.^{9/} The older age and larger size of family projects--particularly when combined with the large number of children--mean that operating costs per unit are higher for family projects than for ones for the elderly. On the other hand, studies have found that operating costs per unit fall as the number of units per project increases, suggesting that there are some economies of scale. This means that the larger size of projects for families may produce some savings, but not enough to offset additional costs that are associated with other characteristics.

Services Provided Through Public Housing

The major goal of the public housing program is to provide safe and sanitary housing for low-income households, but the Congress also allows other forms of supportive services to be provided to tenants. These include, for example, counseling on a range of concerns such as housekeeping, child care, and budget and money management; and direct and referral services for employment and training, education, welfare, and health needs.

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8. See Characteristics of the Nation's Public Housing, unpublished data from the Department of Housing and Urban Development.
 9. For a discussion of the costs of operating public housing projects of different types, see: Sally R. Merrill and Stephen D. Kennedy, Improving the Allocation of Operating Subsidies in the Public Housing Program: A Revised PHA Cost Equation and Range Test, prepared by Abt Associates, Inc., for the Department of Housing and Urban Development (1982).

Most public housing authorities offer some social services to tenants. Types of programs include day care centers; recreation and playground facilities to meet the needs of family residents; family counseling and homemaker training, which is frequently viewed as important since PHAs have little control over tenant selection; and group activities for elderly tenants such as craft programs and shopping trips.

Because these services are provided at the discretion of PHAs, there is probably wide variation from one to another, although little information has been collected about differences within regions or among types of PHAs. As of 1978, PHAs on average devoted roughly 2 percent of their nonutility budgets to social services, with small and rural PHAs generally thought to spend less than other size groups. These figures may underestimate the commitment of PHAs to social services, however, since many PHAs may support some of these activities through volunteer efforts or through other federal programs that are not included in their budgets. 10/

The Condition of Public Housing

A common image of public housing is of poorly maintained projects in deteriorated neighborhoods. While some public housing is in need of substantial improvement--most often the large family projects located in big cities--available evidence suggests that, by and large, public housing is in reasonably good condition and could, with additional investment, continue for some time as a source of decent housing for low-income households. Two surveys have been done of conditions in public housing, one a study of overall project quality and the second a survey of rehabilitation needs.

Survey on Overall Conditions in Public Housing. In 1979, HUD conducted a survey to identify "troubled" public housing projects, those experiencing social, financial, managerial, and physical problems. The survey relied both on subjective evaluations made by HUD officials, PHA managers and tenants, and other housing professionals, and on more objective criteria against which projects could be judged, such as project design and site, physical condition, tenant behavior, neighborhood quality, and administration. The results of the two methods were then combined to

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10. See: Shirley Mansfield and others, Evaluation of the Performance Funding System: Working Paper on Changes in Public Housing Agency Finances, prepared by Abt Associates, Inc., for the U.S. Department of Housing and Urban Development (1980), pp. 26-30.

identify untroubled, relatively untroubled, and troubled public housing projects. 11/

Using this two-part approach, two-thirds of public housing projects were classed as untroubled, one-quarter were considered relatively untroubled, and 7 percent were classed as troubled. By number of units, 55 percent were untroubled, 30 percent were relatively untroubled, and 15 percent were troubled.

Most old large family housing projects were not troubled, although about 9 percent of projects for families were identified as troubled, compared to less than 2 percent of projects for the elderly. Similarly, 14 percent of older projects for families were considered troubled, versus 10 percent of the newer ones. Within the group of older projects for families, 28 percent of large projects were troubled, compared to just 6 percent of the smaller ones.

By definition, projects classed as troubled had more serious physical and social problems than nontroubled projects and, in addition, were more likely to suffer from management deficiencies. Among the physical problems were inadequate heating and plumbing systems, poor project design, high density, poor project siting, and lack of adequate security. The social problems included vandalism, crime in neighborhoods surrounding the projects, and the effects of a small number of disruptive tenants. Among the management deficiencies cited were lack of resources and skills to meet the multiple problems of these projects and a general lack of management ability in some cases.

Survey of Rehabilitation Needs of Public Housing. HUD commissioned a major survey to estimate the costs of improving the physical condition of projects and found that up to \$8.9 billion in improvements would have been required in 1980, depending on the standards used. 12/ In 1984 dollars, the costs would be up to \$10 billion, depending on the assumptions employed,

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11. For further detail see: Ronald Jones and others, Problems Affecting Low-Rent Public Housing Projects, Department of Housing and Urban Development (1979).
 12. This discussion considers only costs for rehabilitating public housing and increasing its energy efficiency. The survey also estimated the cost of increasing the accessibility of public housing units to the handicapped, which is not reported here. Including the costs of increasing accessibility would add about \$300 million (in 1980 dollars) to the total.

and would require up to \$20 billion in budget authority, if the improvements were financed through long-term bonds as modernization projects currently are. The results of the survey--referred to as the Perkins and Will Study, after the contractor that performed the work--have been used since that time as a guide in distributing modernization funds. 13/

Three quality levels were used to evaluate the physical condition of public housing. Level I represented basic health and safety standards, and included the cost of such activities as repairing gas leaks or broken stairs. Level II was based on HUD's minimum property standards and on guidelines for rehabilitating existing structures, and included nonemergency maintenance activities such as replacing roof flashing and repointing mortar joints in brick walls to prevent major capital expenses in the future. Level III included additional rehabilitation work and amenities, elements of good design, and above-standard materials, intended to ease maintenance efforts and increase overall project quality.

The Perkins and Will evaluation found that public housing was, in most cases, basically sound--well built and in satisfactory condition. The survey discovered, however, some chronic problems such as deteriorated roofs, poor or irregular trash removal, and unreliable elevator operation in projects for families. In addition, a small group of projects, generally for families, was considered to be "distressed." Distressed projects were those that would require per-unit expenditures over \$2,500 to meet Level II standards, a cutoff selected because expenditure needs above this level were generally not the result of normal deterioration but rather of problems associated with vandalism. Further, the study noted that these projects often experienced other problems, such as poor management and security, and cautioned that--unless corrected--such conditions would reduce any long-term benefit of capital improvements to these projects.

Almost all public housing units--95 percent--needed some improvement to meet even the minimum standards required for basic health and safety, Level I, but the average cost of bringing units into compliance was relatively small--\$290 per unit, or about \$260 million in total in 1980 dollars (see Table 2). The units most in need of basic repair were those in large, high-rise, family projects, particularly those with vacancy rates above 10 percent, which would require nearly \$1,600 per unit to meet basic standards. In contrast, units in projects designed for the elderly required only an

13. For further detail, see: Perkins and Will and The Ehrenkrantz Group, An Evaluation of the Physical Condition of Public Housing Stock: Final Report, vol. I, prepared for the Department of Housing and Urban Development (1980).

TABLE 2. COST OF MEETING VARIOUS PUBLIC HOUSING CONSTRUCTION STANDARDS (In 1980 dollars per unit)

Project Type	Cost of Meeting Basic Health and Safety Standards (Level I) <u>a/</u>	Cost of Meeting Minimum Property Standards ^{b/} (Level II) <u>a/</u>	Cost of Meeting Above-Minimum Standards (Level III) <u>a/</u>
All Projects	287	1,256	6,545
Family Projects	320	1,560	7,060
200 or more units	300	1,730	6,380
Fewer than 200 units	350	1,270	8,210
Elderly Projects	60	520	4,280

Total for All Projects (in millions of dollars)	259	1,506	6,791

SOURCE: Perkins and Will and The Ehrenkrantz Group, An Evaluation of the Physical Condition of Public Housing Stock: Final Report, vol. I, prepared for the U.S. Department of Housing and Urban Development (1980), pp. 62-96.

- a. See text for description of standards at each level.
- b. Includes the costs of meeting basic health and safety standards (Level I).

average of \$60 per unit in repairs, reflecting both their more recent construction and the less intensive use they receive.

The average cost to meet HUD standards for necessary maintenance, Level II, was estimated at \$1,250 per unit--including the \$290 per unit required to meet basic health and safety standards--or \$1.5 billion for all public housing units. Again, large, high-rise, family projects--particularly high-vacancy projects--required the highest per-unit expenditures to meet minimum property standards, while projects for the elderly required the lowest expenditures.

Only 7 percent of all public housing units were considered to be distressed, but these units accounted for 40 percent of the funding required to bring all units up to Level II (see Table 3). The average cost of improving distressed units was estimated at \$7,200 per unit, with units in large, family high-rise projects having the highest costs--over \$14,000 per unit, on average. About 11 percent of all large family projects were classed as distressed, while just 6 percent of small family projects and less than 1 percent of elderly projects were. The survey did not, however, identify the distribution of distressed units by region, which--if known--could aid in allocating modernization funds.

An average of \$6,500 per unit would be needed to meet the Level III standard, or \$6.8 billion in all. Cost estimates in this category were more uncertain than others, however, because much of the work estimated to be necessary was dependent on the initial characteristics of projects and the prevailing area standards. Types of activities included at this level would be the addition of entry porches in areas where they are common, development of recreation sites, and the removal of parking areas from isolated to more visible and safer sites.

The survey also considered a wide range of investments to reduce energy consumption in public housing projects and concluded that a total investment of about \$2.2 billion, roughly \$2,000 per unit, would reduce annual utility costs by half. The type of activities to be undertaken would vary considerably by region and project type, but included adding storm windows, storm doors, weatherstripping, and timed thermostats.

The cost of modernizing public housing in 1984 would depend on the number of units to be maintained in the stock and the standard that units were to meet, along with the rate of deterioration in public housing stock since 1980 and the uses of modernization funds allocated between 1980 and 1983. If all current units--even distressed ones--were to be repaired to meet Level III standards, and if energy-related activities were included, then the cost of improvements could total \$10 billion. If these improvements were financed as modernization activities currently are, they would require \$20 billion in budget authority to cover the 20-year debt service payments. Removing some share of current units or selecting a different standard would lower these costs. These estimates could be refined by examining the costs of rehabilitation projects undertaken since 1980, but to date HUD has not compiled such information.

TABLE 3. COSTS OF REPAIRING DISTRESSED UNITS TO MEET MINIMUM PROPERTY STANDARDS

Project Type	Number of Distressed Units ^{a/}	Distressed Units as Percent of all Units of Project Type	Cost per Unit to Meet Standards (In 1980 dollars)
All Projects	86,386	7	7,200
Projects for Families ^{b/}			
Large High Rise	23,539	12	14,350
Large Low Rise	40,766	11	4,740
Small High Rise	512	2	2,560
Small Low Rise	19,989	7	4,410
Projects for the Elderly ^{b/}			
High Rise	0	--	--
Low Rise	1,579	2	2,570

SOURCE: Perkins and Will, and the Ehrenkrantz Group, An Evaluation of the Physical Condition of Public Housing Stock: Final Report, vol. I, prepared for the U.S. Department of Housing and Urban Development (1980), p. 86.

- a. Distressed units are those for which the repair costs to meet minimum property standards would exceed \$2,500. See text for details.
- b. Large projects are those with 200 or more units, while small projects have fewer than 200 units. High-rise projects are those with five or more stories and those with a combination of high-rise and low-rise buildings. Low-rise projects are those with buildings that have fewer than five stories.

CHAPTER III. ISSUES IN SUBSIDIZING PUBLIC HOUSING

The public housing program has, since its establishment in 1937, often been a focus of controversy. Through the years it has been used to promote additional policy goals, including renewal of urban areas, decentralization of low-income households, and desegregation of housing. These activities were frequently resisted, often by the residents of neighborhoods in which PHAs proposed that public housing projects be constructed, as well as by those who opposed public ownership of housing in principle. These tensions have largely subsided as the number of public housing units added to the stock has declined in recent years.

The current concern about public housing is whether or how to support an important but aging source of housing assistance. Federal costs--for debt service on construction and modernization and for operating subsidies--have risen from \$810 million in 1972 to \$2.9 billion in 1982 and, if 1983 levels of service were continued, could increase to as much as \$4.2 billion in 1988. These rising costs, coupled with concern about the manner in which subsidies are allocated, have focused Congressional attention on public housing and have led to the proposals for change currently included in H.R. 1 and S. 1338, which are discussed in the following two chapters.

Decisions about the level of funding and the subsidy mechanisms for public housing involve broader issues, including:

- o Whether to maintain all units currently in the public housing stock;
- o What standards to set for public housing; and
- o How closely to oversee the management of public housing.

These questions are interrelated, and choices about one will have ramifications for the others, as discussed later in this chapter.

SIZE OF THE PUBLIC HOUSING STOCK

Current federal policy seeks to maintain the public housing stock essentially at present levels by providing few new units and by restricting the conditions under which units may be removed from the stock. Since the

average age of public housing units is now over 20 years, and at least some are in need of substantial renovation, a major issue is whether it may be less costly to eliminate some units and to assist the same number of households through other subsidy mechanisms. Since public housing units are owned by local public housing authorities (PHAs), the federal government cannot unilaterally decide to remove units--just as it cannot add them--but it can influence PHA decisions through the ease or tightness of the regulations governing removal, and through its funding policy.

Under current practice, PHAs are sharply restricted in their ability to remove units formally from the public housing stock. To do so, they must determine that the units are unusable and cannot be rehabilitated, and must relocate the tenants and replace the units. Removal of units must be approved by the Assistant Secretary of Housing. In 1980, fewer than 2,400 units--or 0.2 percent of the total--were eliminated from public housing.

In addition to these restrictions, PHAs may have an incentive to allow badly deteriorated units to remain vacant. HUD continues to provide operating subsidies for vacant units so that, if operating costs for vacant units are lower than the subsidies, vacant units may be of financial advantage to a PHA. From the federal point of view, however, costs are being incurred, both for debt service on the initial construction and any subsequent modernization bonds and for operating subsidies, without assistance being provided to low-income households.

A decision to modify present policies on eliminating public housing units would depend in part on the costs of continuing current units--the sum of current debt service, operating subsidies, and modernization needs--as against the costs of eliminating units and providing subsidies through alternative mechanisms. Further, the Congress would need to consider whether the alternative mechanisms would serve to replace the types of units being removed. For example, families with more than three children experience great difficulty participating in the Section 8 existing housing program; less than one-quarter of those accepted in the program are able to find suitable private-market housing within 60 days.^{1/} This suggests that, at least in some markets, public housing units with several bedrooms might not be readily replaced through private-market alternatives. Deciding which, if any, units to remove from the stock would require cooperation between the federal government and the PHAs, with the results depending on the characteristics of specific public housing projects and on the alternatives available within particular localities.

1. The Report of the President's Commission on Housing (1982), p. 41.